GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:181
ANSWERED ON:26.07.2002
CAPITAL FOR COOPERATIVE BANKS
ASHOK KUMAR PATEL

Will the Minister of FINANCE be pleased to state:

(a) whether a number of cooperative banks have been facing resource crunch in the country;

(b) if so, the details and reasons thereof;

(c) whether there is any proposal under consideration of the Government for providing capital assistance to these banks;

(d) if so, the details thereof; and

(e) the time by which a final decision is likely to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a), (b), (c), (d) & (e):

A Statement is placed on the Table of fee House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 181 REPLY ON 26julY, 2002 TABLED BY DR. ASHOK PATEL REGARDING CAPITAL FOR COOPERATIVE BANKS.

(a) & (b): Cooperative Credit System surfers from systemic shortcomings and erosion of net worth. As on31.3.2002, out of 30 State Cooperative Banks and 370 District Central Cooperative Banks, 9 State Cooperative Banks and 139 District Central Cooperative Banks were not complying with the provision of section 11(1) of the Banking Regulation Act, 1949 i.e. the net worth of these banks was below Rs. 1 lakh. This implies that the owned funds of the bank had been eroded and were not available for deployment in business. All such banks are therefore facing resource crunch.

(c), (d) & (e) : Government of India had constituted a Task Force (known as `CapoorCommittee`) in April, 1999 to study the functioning of cooperative credit system and suggest measures for its strengthening. The Task Force made wide ranging recommendations which have been examined by the Government in consultation with the State Governments and deliberated upon in a Conference of Chief Ministers of States. It was decided in the above Conference to constitute a Joint Committee of the Cooperation Ministers of select States under the Chairmanship of the then Union Minister of State for Finance.This Committee has since submitted its report. Central Government has made a provisionof Rs. 100 crore in the current year`s budget for revitalization of cooperative credit system and incentivising reforms in this sector.